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REVIEW STAFF

75-2725

25 AUG 1975

MEMORANDUM FOR THE RECORD

**SUBJECT: Briefing of HSC Staffers on Proprietary
Financial Procedures**

1. Messrs. [redacted] were interviewed by Mr. Charles Mattox and Ms. Sandra Zeune, HSC Staffers, on 22 August 1975 from 9:30 A. M. until about 10:45 A. M. on the general subject of proprietary financial control procedures. [redacted] participated in the latter part of the session.

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2. At the outset, the Staffers indicated the focus of the session was to be specifically on the operation of the General Ledger Account [redacted] "Investments in Proprietary Projects", which is the Agency financial control account for Agency equity in proprietaries. The Staffers were provided with a general overview of how this account is maintained and reconciled periodically with proprietary financial reports. The Staffers were allowed to review the computer listing which reflects the current subsidiary detail for this account and were also shown a representative reconciliation statement between the proprietary report and the control account, the statement identifying the proprietary by cryptonym. Following the presentation and the initial overview and preliminary examination by Mr. Mattox of the subsidiary computer listing, many questions were asked, some of them relevant to the discussion and a large number from a list in the possession of Ms. Zeune which she indicated she had been instructed to ask. The questions asked included the following:

[redacted]

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b. What does the [redacted] the crypt mean?

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c. What are revolving funds and how many do you have?

[redacted]

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d. How many companies have been acquired in the last five years and at what cost?

e. Does the Office of Finance have any contact with the Internal Revenue Service in relation to proprietary matters?

f. Does the Office of Finance have any contact with the Securities Exchange Commission?

g. Could you determine whether the Agency has ever funded money into a particular company?

h. How long has [] proprietary been in existence?

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i. Who has the ultimate decision-making control over [] operations?

j. An unclearly phrased question not pursued related to the so-called family jewel listing concerning [] capital accumulations.

k. When was [] established?

l. Have you ever come across any embezzlement, fraud, or misuse of funds in your association with proprietary activities?

m. Do you have any law firm proprietaries?

n. What is the difference between a proprietary and a notional?

o. Is bonding of proprietary personnel handled by []

p. Another unclearly phrased question not pursued related to the so-called family jewel listing concerning [] proprietaries, [] sole proprietorships, and [] attorneys.

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q. Do you see the administrative plans for proprietaries?

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r. Do you see the annual justification for
funding proprietaries?

s. Why did the Agency approve payment of travel
expenses during Fiscal Year 1973 of [] for the
White House? Who in the Agency approved the payment?
What did the Agency get in return?

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t. Has the Agency ever had any funding relation-
ship with the [] Founda-
tions?

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[]

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w. Have you ever turned down a funding request
for a proprietary, assuming command channel approval?

x. When will Agency equity [] be com-
pletely removed from the Agency records, "to reflect
the truth"?

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y. Why do Agency records lag behind?

z. Has the Office of Finance assisted or in any
way funneled money to an FBI proprietary?

aa. Could the Agency transfer funds to []
in lieu of the Reserve for Contingencies and accomplish
the same ultimate result?

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bb. Can you estimate how much money the Agency in
any way has passed to the []

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cc. Is CCS allotted money for proprietaries?

dd. What are the mechanics for funding proprie-
taries?

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ee. Does the Office of Finance play a role in the budgetary process?

ff. Why is the Agency Chart and Description of Accounts classified?

3. It will be noted that several of the questions asked were far afield from financial control procedures. Whenever applicable, we indicated it would be necessary to obtain answers from the Agency component responsible for the particular subject matter to which a question related, usually Cover and Commercial Staff.

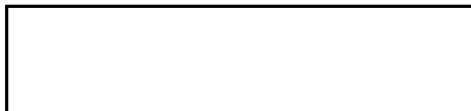
4. The HSC Staffers concluded the interview with an indication that the information provided had been very helpful and they will be back for a more detailed review, possibly of specific proprietaries.



Deputy Director
for
Plans and Systems

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cc:



Mr. McMahon)

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